

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 FEA-01 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 PA-01

USIA-06 PRS-01 NIC-01 SAJ-01 IO-10 /100 W

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R 070840Z JAN 75

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 3410

INFO USLO PEKING

AMEMBASSY TOKYO

AMEMBASSY TAIPEI

CINCPAC HONOLULU HI

C O N F I D E N T I A L HONG KONG 198

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: ECON, ENRG, CH

SUBJECT: PRC OIL PRODUCTION CLAIMS FOR 1974

REF: HK 13393

SUMMARY: PRC CRUDE OIL PRODUCTION ROSE BY 20 PERCENT
IN 1974 REACHING AN ESTIMATED 65 MILLION TONS. THE
THREE MAJOR FIELDS REGISTERED HEALTHY INCREASES OVER
1973 AND SHOULD BE ABLE TO MAINTAIN PRESENT GROWTH RATES
IN 1975. MUCH OF 1974'S GROWTH CAME FROM RAPID DEVELOP-
MENT OF NEW AND UNPUBLICIZED OIL FIELDS WHICH ARE PROB-
ABLY GROWING AT A HIGHER RATE THAN THE NATIONAL AVERAGE.
PRODUCTION IN 1975 WILL PROBABLY CONTINUE TO GROW AT
20 PERCENT OR HIGHER, REACHING ABOOOUT 80 MILLION TONS
OR SO. (END SUMMARY).

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1. IN A YEAR-END ARTICLE ON PRC OIL PRODUCTION IN 1974, NCNA ANNOUNCED THAT CRUDE OUTPUT WENT UP 20 PERCENT IN 1974. IT ADDED THAT THIS LEVEL IS ABOUT SIX TIMES 1965 PRODUCTION (JANUARY 2). (EITHER FORMULA WORKS OUT TO A PRODUCTION LEVEL OF ABOUT 65 MILLION TONS IN 1974.) THE ANNOUNCEMENT ALSO GAVE A PERCENTAGE INCREASE OVER 1973 FOR NATURAL GAS, "NEARLY" 15 PERCENT, AND "CRUDE OIL REFINED" 13 PERCENT, FOR WHICH WE HAVE NO STATISTICAL BASIS TO COMMENT. (NCNA CLAIMED THAT RECOVERY TECHNIQUES FOR REFINED CRUDE IMPROVED OVER 1973 IMPLYING THAT PRODUCTION OF PETROLEUM PRODUCTS (49 MILLION TONS IN 1973) MAY HAVE INCREASED AT A HIGHER RATE THAN "CRUDE OIL REFINED") REFINERY CAPACITY, DESCRIBED AS BEING "NEARLY FOUR TIMES THAT OF 1965," APPEARS LOW BY CURRENT US GOVERNMENT ESTIMATES, WHICH PUT IT IN EXCESS OF 60 MILLION TONS. OFFSHORE DEVELOPMENTS WERE DESCRIBED IN ONE SENTENCE: " MARINE OIL PROSPECTING MADE FURTHER PROGRESS."

2. THE PRC'S THREE MAJOR FIELDS OF TACHING (22 PERCENT), SHENG-LI (16 PERCENT), AND TA KANG (24.7 PERCENT) ALL SHOWED HEALTHY PRODUCTION INCREASES OVER 1973, AND ALL FULFILLED THEIR PRODUCTION PLANS AHEAD OF TIME. THESE THREE FIELDS ARE ESTIMATED TO ACCOUNT FOR A HALF OR MORE (31-36 MILLION TONS) OF TOTAL PRODUCTION. ALL HAVE DEVELOPED NEW OIL ZONES RECENTLY AND ARE APPARENTLY CARRYING OUT ACTIVE EXPANSION PROGRAMS, AS WELL AS SEEKING FULL EXPLOITATION OF OLDER ZONES. (TA-CHING, FOR EXAMPLE, USED WATER INJECTION TO RAISE AVERAGE WELL OUTPUT IN ONE OLD ZONE TO A LEVEL HIGHER THAN IN ITS EARLY DAYS (NCNA, DECEMBER 15. THEY SHOULD BE ABLE TO MAINTAIN OR PERHAPS INCREASE PRESENT GROWTH RATES.

3. MUCH OF 1974'S GROWTH IN CRUDE OUTPUT APPARENTLY CAME FROM RAPID DEVELOPMENT OF NEW AND UNPUBLICIZED OIL FIELDS. NCNA STATED THAT NEW "OIL BEARING AREAS" LOCATED IN 1974 WERE BIGGER THAN IN ANY PREVIOUS YEAR, "HIGH YIELDING" OIL WELLS WERE DRILLED IN "NEW LOCALITIES," AND " A NUMBER OF NEW OILFIELDS" WENT INTO OPERATION. THE EXISTENCE OF NEW, UNPUBLICIZED FIELDS, HINTED AT BY NCNA, CONFIDENTIAL

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HAS SURFACED IN PRESS AND INTELLIGENCE REPORTS DURING THE YEAR. THEIR DEVELOPMENT -- PROBABLY AT A HIGHER RATE THAN THE NATIONAL AVERAGE (SEE HK A-242, SEPTEMBER 17, 1974) -- POINTS UP THE UNDERLYING STRENGTH OF THE PRC'S PETROLEUM INDUSTRY AND UNDERLINES ITS POTENTIAL FOR CONTINUED RAPID EXPANSION.

4. WITHOUT COUNTING POTENTIAL OFFSHORE DEVELOPMENT, A

CONTINUED GROWTH OF 20 PERCENT PLUS IN YEARLY OUTPUT
FOR THE NEXT FEW YEARS WOULD APPEAR TO BE WELL WITHING
REACH OF THE PRC. IN 1975 THIS WOULD RESULT IN A TOTAL
OUTPUT OF 80 MILLION TONS OR SO.
CROSS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PRODUCTION DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 07 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975HONGK00198
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750007-0216
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750173/aaaacmkv.tel
Line Count: 120
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 HK 13393
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUL 2003 by CunninFX>; APPROVED <13 NOV 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRC OIL PRODUCTION CLAIMS FOR 1974
TAGS: ECON, ENRG, CH
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006